

Message Text

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ACTION EA-14

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TAGS: EGEN BM

SUBJECT: BURMESE ECONOMIC REFORMS

1. SUMMARY. AS PART OF RESPONSE TO RECENT DISTURBANCES (SEPTTEL) GUB ANNOUNCED ECONOMIC REFORMS TO EASE LIVING CONDITIONS. PROGRAM INCLUDES RICE DISTRIBUTION, IMPORTS OF SOME CONSUMER GOODS, PRICE INCENTIVES FOR FARMERS, AND FREER MARKET ARRANGEMENTS WITHIN BURMA. PROGRAM MAY RESULT IN MORE EFFICIENT DISTRIBUTION OF RICE FROM OUTLYING AREAS THROUGH BLACKMARKET, AND GUB ACTION RECOGNIZES GENERAL PUBLIC DISCONTENT ABOUT AUSTERE LIVING CONDITIONS IN BURMA. ANY INITIAL IMPACT PROGRAM MAY HAVE IN BRINGING DOWN BLACKMARKET PRICE OF CONSUMER GOODS MAY BE OFFSET BY INCREASE IN MONEY SUPPLY. END SUMMARY.

2. DEPUTY MINISTER OF PLANNING AND FINANCE U CHIT MOUNG ANNOUNCED AT PRESS CONFERENCE JUNE 26 AN ECONOMIC STABILIZATION PROGRAM AIMED AT EASING LIVING CONDITIONS IN BURMA. MAIN POINTS IN PROGRAM INCLUDE:

(A) DISTRIBUTION OF RICE BY CO-OPERATIVES AT RATE OF TWO PYIS (.43 LB) PER PERSON PER MONTH AND ADDITIONAL DISTRIBUTION OF TWO PYIS PER MONTH THROUGH WELFARE SOCIETIES TO LOW-INCOME WORKERS
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AND PUBLIC SERVANTS. (NORMAL PER CAPITA CONSUMPTION RUNS ABOUT

FOUR PYIS A MONTH.)

(B) PRIVATE SECTOR ALLOWED TO DO BUSINESS IN PADDY AND RICE WITH FULL FREEDOM FOR MILLING AND MOVEMENT OF THE COMMODITY. LOCAL SEARCH PARTIES WHICH WERE INTERFERING WITH INTERNAL RICE SHIPMENTS ARE TO BE ABOLISHED.

(C) GREATER IMPORTS OF WHEAT FLOUR, SUGAR, SOAP, TEXTILES AND MEDICINES; TIRES AND TUBES, TRUCK AND BOAT SPARE PARTS, FISHING NETS; ZINC ROOFING SHEETS TO BE DISTRIBUTED TO FARMERS.

(D) PRIVATE SECTOR TO BE SUPPLIED "AS MUCH AS POSSIBLE" WITH IMPORTED RAW MATERIALS AND NECESSARY SPARE PARTS, AND PRIVATE TRANSPORT INDUSTRY PERMITTED TO OPERATE FREELY.

3. COMMENT: MEASURES REPRESENT PART OF GUB RESPONSE TO PUBLIC UNREST AND ARE ABOUT-FACE FROM POSSIBLE AUSTERITY PROGRAM MINISTER OF FINANCE ANNOUNCED AT LAST SESSION OF PEOPLE'S ASSEMBLY UNDER WHICH CONSUMER IMPORTS WOULD BE LIMITED TO FEW PHARMACEUTICALS AND TEXTILES. IN LIFTING CONTROLS ON MILLING AND TRANSPORT OF RICE AND ALLOWING FREE OPERATION OF PRIVATE TRANSPORT, GUB SEEMS TO INVITE OPEN MARKET TO TAKE OVER LARGER SHARE OF DISTRIBUTION OF FOOD AND CONSUMER ITEMS. THIS ACTION PLUS PROVISION FOR NEW AS YET UNSPECIFIED PRICE INCENTIVES FOR FARMERS REPRESENTS STEP BACK FROM CONCEPT OF FULLY CONTROLLED ECONOMY. OMMTHE OTHER HAND, THIS IS THIRD TIME IN THREE YEARS THAT GUB HAS BEEN FORCED INTO MEASURES OF DECONTROL; IN 1972 AND 1973 THESE WERE LATER WITHDRAWN OR MODIFIED.

4. FREE MOVEMENT OF RICE SHOULD ALLOW SOME RICE FROM OUTLYING AREAS TO REACH RANGOON AND CENTRAL BURMA. DUE TO GOOD HARVEST AND GUB EFFORTS TO CONTROL OPIUM SMUGGLING WHICH ALSO INTERFERED WITH ILLEGAL RICE SHIPMENTS, RICE HAS BECOME OVER-ABUNDANT IN SHAN AND KACHIN STATES TO EXTENT THAT RICE PRICES THERE ARE LESS THAN HALF WHAT THEY ARE IN RANGOON. BY CONTRAST, IN PAST YEARS RICE PRICE IN KENG TUNG, FOR EXAMPLE,

WAS NEARLY DOUBLE RANGOON PRICE. THIS SUPPLY MAY NOW BEGIN TO FLOW INTO CENTRAL BURMA.

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5. GUB APPARENTLY PLANS TO SUSPEND FURTHER RICE EXPORTS, SINCE DEPUTY MINISTER CALLED FOR GREATER TIMBER AND MINERAL EXPORTS TO COMPENSATE FOR FALL IN RICE EXPORTS.

6. CHIT MOUNG SAID CONSUMER IMPORTS WOULD BE FINANCED BY COM-MODITY LOANS. HE OFFERED NO DETAILS, AND WE ARE SKEPTICAL THAT GUB CAN RAISE MUCH ON CONCESSIONAL TERMS. HOWEVER, IT HAS DISCUS-SED POSSIBLE COMMERCIAL FINANCING WITH BANK OF AMERICA AND PROB-

ABLY OTHER FOREIGN BANKS. RECENT OFFSHORE OIL CONTRACTS (EMBASSY ESTIMATES GUB NETTED ABOUT \$15 MILLION FROM INFORMATION PAYMENTS SO FAR) AND EXPECTED INCOME FROM FUTURE CONTRACTS ALSO PROVIDE FOREIGN EXCHANGE TO COVER AT LEAST SOME OF THESE ADDITIONAL IMPORTS. NO DETAILS REVEALED ON AMOUNTS THAT WOULD BE IMPORTED. ANNOUNCEMENT SPOKE OF "MASSIVE IMPORT" TO "FLOOD MARKET, BUT THESE TERMS MUST BE CONSIDERED IN LIGHT OF ALMOST NONEXISTENT CONSUMER GOOD IMPORTS IN PAST SEVERAL YEARS. IMPACT ON US SALES TO BURMA WILL PROBABLY BE SMALL AND COME MAINLY IN PHARMACEUTICAL GOODS.

7 DEPUTY MINISTER SAID THESE MEASURES TAKEN TO FIGHT INFLATION, AND THE PSYCHOLOGICAL EFFECT OF ANNOUNCEMENT MAY INITIALLY BRING DOWN SOME BLACKMARKET PRICES. HOWEVER, IMPLICATION IS THAT RICE DISTRIBUTION TO BE FINANCED BY INCREASING MONEY SUPPLY WHICH DOES NOT AUGUR WELL FOR LOWER PRICES IN LONGER RUN.

8. ON THE WHOLE, ANNOUNCED PROGRAM, IF IMPLEMENTED, CONSTITUTES USEFUL FIRST STEP TOWARD IMPROVEMENT OF BURMA'S ECONOMIC SITUATION, BUT IS FAR FROM COMPLETE ANSWER. IN PARTICULAR, CHIT MOUNG WAS DISAPPOINTINGLY SILENT ON PROBLEM OF INCREASING PRODUCTION. AT LEAST HIS PRESENTATION WAS RELATIVELY FREE OF IDEOLOGICAL EXHORTATION, LEAVING WAY OPEN FOR MORE FAR-REACHING MEASURES OF REFORM.
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